

PROBLEMS AND PROSPECTS OF THE IMT-GT CONCEPT AND STRATEGIES FROM THE PERSPECTIVE OF PRIVATE SECTOR IN MALAYSIAN NORTHERN STATES

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ABSTRACT :The establishment of the IMT-GT area is to promote closer economic ties and linkages amongst the sub-regions involved. Conceptually, the cooperation offers tremendous opportunities for private sectors in the sub-regions since they possess considerable resources and growth potential. This study tries to evaluate the concept and strategies of the IMT-GT based on current performance and cooperation of private sector in the sub-regions. The specific objectives of the study are to examine the present condition of private sector of the IMT-GT area towards the fulfillment of its concept. This study is descriptive and based on library research whereby secondary data from official resources is utilized. Collection of primary data is based on structured interview with certain related individuals. The study found that there are several issues pertaining to MoUs and its implementation. In terms of prospect, there are tremendous prospects for the triangle emerging from differences in national factor endowments that suggest specialization opportunities. IMT-GT achievement is evaluated using indicators identified that include pattern of investment and trade flows. In terms of investment, there has been a significant increase in the proposed capital investment, thus creating new employment. Although Indonesia and Thailand were not considered as the leading foreign investors, their contributions were quite significant and showed some improvement over the period studied. In terms of trade, after 1994 the volume of intra-IMT trade has shown an increasing trend. Since economic complementarity is the key feature of the growth area, this study generally suggest that there is a need for increasing effort in overcoming problems and removing obstacles in project implementation while identifying factors that can contribute to the region's development.

INTRODUCTION

The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) is a concept that creates and formalizes inter-linkages between Indonesia (North Sumatra, West Sumatra, the Special Territory of Aceh and Riau), Malaysia (the Northern States of Malaysia: Perlis, Kedah, Penang and Perak) and Thailand (the Southern Provinces of Thailand: Satun, Songkhla, Yala, Pattani and Narathiwat).

In general, the establishment of the IMT-GT area is to promote closer economic ties and linkages amongst the sub-regions involved. Its long-run objective is to create new center of economic growth by satisfying the needs of global markets. Thus, the concept helps all the member countries to accelerate their rate of economic growth by satisfying the needs of global markets. The main emphasis of the IMT-GT concept is the involvement of private sector to lead the way in projects and investments, while the public sector is to provide positive conditions for development to take place. The specified targeted goals of the IMT-GT development objectives in five critical sectors have been outlined by the Asian Development Bank (ADB) report (ADB, 1994). The productive sectors (i.e. investment, trade, industry, agriculture and fisheries, and tourism) will generate the production, employment, trade, investment and other activities contributing to the economic growth of the IMT-GT area. The facilitating sectors (i.e. labor mobility, human resource development, transportation, communications and energy) are comprised of activities that are driven by, and are designed to facilitate and accommodate economic growth. As the IMT-GT is private sector oriented, its success depends on private sector participation and willingness to grab the opportunity created by the concept.

Conceptually, the cooperation offers tremendous opportunities for private sectors in the sub-regions since they possess considerable resources and growth potential. The triangle has its own strength in terms of the combination of economic power and potential from its command over vast resources and complementarity capabilities of all its member entities. However, its achievement also depends on strong political commitment of every government of the three sub-regions. Thus, by narrowing nationalistic perceptions and working toward win-win situations, the bright long-term prospect of the cooperation could be achieved.

PROBLEM STATEMENT

The IMT-GT concept has been realized for at least five years, however, a study (Fatimah Wati et al., 1998) shows that although private organizations are aware of the

existence of the concept, in terms of companies' participation, the degree is still very low.

In terms of investment, Tang and Thant (1996), shows that the IMT-GT has attracted a large amount of foreign direct investment (FDI). In the five provinces of Southern Thailand, there was an upsurge in investment and manufacturing activity since 1989. In Northern Sumatra, FDI is mostly from European countries and the United States. The major sources of FDI in Northern Malaysia are France, Taipei, China, Japan and the United States, which are more concentrated in the electrical and electronic products. The foreign investment is commonly from multinational companies, which also operate in many other countries. Thus, the question that remains is, how much of these investment that comes from private companies of the three countries that create the concept.

Based on the background that has been presented above, this paper is therefore to study and evaluate the concept and strategies of the IMT-GT based on current performance and cooperation of private sector in the sub-regions. In particular, the focus is on the problems and prospects of the concept and strategies from the perspective of private sector in Malaysian northern states.

LITERATURE REVIEW

Fatimah Wati et al. (1998), found that a large percentage of private businesses and firms in the three sub-regions aware of the existence of the concept but some of them are unclear about its objective and strategies. In terms of participation, the rate is very low. This is inconsistent with the promotional efforts made by the three governments, the liason secretariat, and the joint business council, also certain changes in procedure and regulations that has been done to ease the inter- regional trade and movement.

However, the result is consistent with the IMT-GT consultancy (John Newton in ADB Report, 1995) that the investors' activities of private sector for the purpose of IMT-GT

development are not always apparent. It is due to their primary concern with profit, and not with announcing their activities to the public or to the government. Furthermore, only prominent investors were informed on IMT-GT issues. The general business community appears to be much less well informed on the growth triangle and on industrial investment in general. This community is largely composed of 'traders', not industrialists, and is not initially interested in manufacturing investment prospects.

STUDY OBJECTIVES

The specific objectives of the study are

- i. to examine the present condition of private sector of the IMT-GT area towards the fulfillment of its concept.
- ii. to identify problems and prospects of the IMT-GT concept in the northern region of Malaysia.
- iii. to evaluate the achievement of IMT-GT concept in terms of developing the economies of Malaysian northern states.
- iv. to suggest feasible strategies that can further accelerate the economic performance of the northern region.

SIGNIFICANCE OF THE STUDY

This research gives benefit particularly to the northern state governments of Malaysia, private firms, and related bodies. Its findings provide insight for the present and future strategies of IMT-GT realization, assist in the future promotion strategies, and provide better understanding towards the real goal of the concept.

RESEARCH METHODOLOGY

This study is descriptive and based on library research whereby secondary data from official resources is utilized. Primary data is also utilized in this study to obtain information on the performance of private sector in the IMT-GT concept. Collection of primary data is based on structured interview with certain related individuals representing the chambers of commerce, business councils, and private firms from each state in the northern region. A judgement sampling design is utilized to select the interviewees.

The realization of the benefit of the IMT-GT requires great efforts from the three member countries. The Asian Development Bank (ADB) itself has developed indicators to monitor the development of IMT-GT in which among them are i) intra IMT-GT and external trade flows; ii) inward and outward foreign direct investment (FDI) and local direct investment (LDI) by sub-sector, nationality and export orientation; iii) number of establishments and new start-ups by sector; iv) population, labor force and employment characteristics; v) Gross Regional Domestic Product (GRDP), sector value-added and personal income characteristics and trends; vi) consumer expenditure and retail sales at selected IMT-GT location; vii) labor migration trends and characteristics; and viii) local and national government IMT-GT program and project expenditures.

In this study, only i), ii) and some parts of number iii) and iv) are used to evaluate the achievement of IMT-GT particularly the northern states of Malaysia. For the subtopics of foreign investments and patterns of trade, proxy data are used because there are no detailed data available on FDI and trade flows into each of the three sub-regions.

PRIVATE SECTOR OF THE IMT-GT

The role of private sector is important in bringing about growth for the IMT-GT region. To ensure the continuation of its role, the private companies of the growth region have

to take advantage of the available natural resources as much as possible so that the private sectors of other countries will not come to monopolize all the benefits. In order to face the challenges of the world globalization with open market concept, the enhancement of intra-region trading and investments is necessary. Export capabilities can be increased when this strategy is achieved with the employment maximization of expertise and resources of the three countries under the concept of IMT-GT.

From the governments' side, their tasks are to facilitate private sector undertakings while intensifying the role of the Joint Business Council as outlined by the IMT-GT task force. The council should be able to discuss issues and project proposals in detail so that the participation of private companies in business activities can really contribute to the economic growth of the region. Among issues that should be given due attention are the unimplemented projects despite the signing of quite large numbers of memorandums of understanding (MoUs) and the implementation of the agricultural common border wholesale market proposal.

Since the formation of IMT-GT in 1994 till the end of 1999, there were 48 out of a total of 69 MoUs signed by the private sector that had been actively implemented. Several measures are taken to expedite the implementation of projects following the signing of MoUs under the growth concept. As an example, the Malaysian Economic Planning Unit in the Prime Minister's Department is now having a task of monitoring and coordinating the progress of developments in the growth area. The measures are also to ensure that there would be less administrative obstacles that would lead to the slow progress of implementation. Allowing leaders of the Joint Business Council (JBC) to attend Senior Officials Meeting (SOM) is one of the measures to overcome the administrative problems. This arrangement will help reduce the number of invalid MoUs due to improper procedural applications.

PROBLEMS AND PROSPECTS

problems of Cooperation

Promotion is an important element towards achieving success in undertaking or venture. Successful promotion will make the intended target group understood with the true objective of the venture. In case of Malaysian firms in northern region, based on survey by Fatimah Wati, et.al (1998), about 61 percent of the companies interviewed are still unclear about the true objective of the IMT-GT concept. However when asked whether it is important to really understand the concept, about 88 percent responded positively. This fact indicates either one of these two possibilities: First, they are not interested to know because they see no benefit of joining; second, they felt difficult to reach information.

The second possibility is less likely since the former IMT-GT secretariat has disseminated all kinds of information regarding the concept through various means. In fact, they distributed the information through questionnaire to the companies. The questionnaire was also used to build a database as a reference for firms from other countries. However, the response to the questionnaire was not very encouraging. This also indicates that the first possibility is probably true. The media also played the role by carrying the message whenever any events take place.

However, according to Dato' Seri Abdul Rahman Maidin, the secretariat cannot play the intended roles like monitoring the progress of business ventures and providing information for businesses because the private sector sees it as a government body. Businesses can obtain needed information from private bodies like business councils and chambers of commerce. Besides, there are already state government agencies like State Economic Development Corporation (SEDC) to provide information from the part of government. Another constraint to the role of secretariat is that there is no or incomplete regional data to justify their role as provider of regional data to the prospective businesses. This is consistent with one of survey findings of Fatimah Wati

et.al (1998), where the businesses involved in joint venture did not seek assistance from the secretariat.

Location choice is another problem of the IMT-GT cooperation. According to a survey (Fatimah Wati et.al, 1998), only 2.4 percent of Malaysian respondents established new joint venture after the conceptualization of IMT-GT, with the same percentage indicated Malaysia as the preferred location, and market potential as the attracting factor. This fact indicates that Malaysian companies are less interested to invest in the other IMT-GT area, and they believe in the potentialities of their own country's market. If this perception is indeed predominant among northern Malaysian firms, something must be done to encourage them to look at the potentials of other area, that is, if the objective of the concept is to be achieved.

Other constraints of location choice include physical and social infrastructure, cultural difference and political environment. In terms of level of infrastructure, for example, Northern Malaysia's infrastructure is more modern and extensive compared to that of Southern Thailand and Northern Sumatra. Thailand's southern provinces fared less compared to those in the country's central provinces.

Malaysian firms have higher level of confidence in government agencies as compared to the others. The reason could be that they have no experience with foreign partnership, even if so, they can still venture in the countries by exercising precautionary measures. The Malaysian firms can evaluate their prospective partners and the environment surrounding the location as well as the paperwork involved in putting partnership. The IMT-GT conceptual design does not provide such measures but the Malaysian firms can always seek information and deal with problem encountered diligently. The problems of partnership of Malaysian firms are not only within IMT-GT, but also globally. In the move to globalization, companies have to take precaution in any dealing involving foreign bodies.

Some studies, including a report by the ADB (1993) found that labor abundance in both Indonesian and Thailand sub-regions is one of the most important complementarity factors. Thus, it is expected that firms from the relatively labor shortage region of Malaysia will relocate their plants to those areas. Consistently, more Malaysian companies agree that human capital is their main constraint for expansion, especially the high and semi-skilled labor. (Fatimah Wati, et.al, 1998). However, they did not agree for relocation, in fact, more agree that the solution is by importing labor.

This probably suggests that the abundance of labor in the other two regions do not meet the requirement and skills needed in industrialization and rapid growth. Thus, human resource development should be the important factor in ensuring the abundance of labor to be able to meet the requirement of rapid industrialization.

Prospect of Factor Endowments

The problem of land scarcity and the increasing contribution of manufacturing activities in Northern Malaysia need a restructuring of agricultural activities. In the Third National Agricultural Policy (1998-2010), emphasis is given to the increase of efficiency, productivity and competitiveness of Malaysian agriculture. This requires further development of human resource, technology, physical infrastructure, finance and incentives as well as supporting industries and institutions.

The need for agricultural restructuring has become urgent due to the increase of labor shortages in the estate crops sector. In addition, Malaysia's increasing labor costs and land prices have eroded the country's comparative advantage in many plantation crops including rubber and oil palm. Moreover, slow progress in Malaysia's agriculture sector is mainly because of the country's expansion of output in non-resource-based industries. In general, the growth share of manufacturing sector in Malaysia's Gross Domestic Product (GDP) in the year 1999 is 8.9 percent, which is higher than that of agricultural sector (4.6 percent).

The problem of labor shortage in Malaysia has been partly alleviated by the entry of foreign workers from Indonesia, Myanmar, the Philippines, Thailand and some other countries. They have been employed in agriculture, manufacturing, construction and domestic services. Within the context of IMT-GT, the inflow of Thai and Indonesian workers in Northern Malaysia initially went to the paddy cultivation. But later, their work has switched to plantation crops such as sugarcane, rubber and oil palm. They also work in fishing activities.

The emerging differences of national factor endowments between the three member countries suggest specialization opportunities for them. Malaysia, for example, previously dominated the production of rubber and oil palm. But this production has gradually shifted to Thailand and Indonesia. Northern Sumatra, which has abundance of land and labor supply, is particularly well suited to produce these crops in large plantation areas. Meanwhile, Malaysia which is superior in terms of production technology could provide capital, technical expertise, and processing to Southern Thailand and Northern Sumatra. This potential for specialization is in fact to help Malaysia to confront with the problem of increasing cost of land and shortage of labor.

The IMT-GT area also has potential to produce livestock and fisheries products in large-scale. Northern Sumatra's extensive upland grazing fields are ideal for livestock farming and Southern Thailand has been the major producer for rice and fisheries products. Since Malaysia has been facing problems of food supply the interactions between the northern states of Malaysia and the two sub-regions in such activities are substantial.

Manufacturing Sector

Manufacturing sector in the IMT-GT area is relatively small. Penang, which is located in the Northern Malaysia, is the most industrialized part of the growth triangle. The Penang state had established its industrial base in the early 1980s with manufacturing comprising 40 percent of GDP. The tourism, services, energy, transportation and communication industries are also well progressed in the state. On the other hand, the

state has an overall shortage of technical, skilled and unskilled labor force. This constraint may undermine the process of further development and cause difficulty to the state to have high technology oriented industrial development and high value-added industry.

The formation of the IMT-GT can give full advantage of Penang's location and current pace of growth. Labor flows between the sub-regions of the triangle are to meet the urgent manpower requirements of such rapidly expanding economies that include Penang. The Malaysian government has permitted the importation of foreign technical and skilled labors to work in industrial sector of Penang. Furthermore, the state itself has set up skill development and skill-related training centers to upgrade and enhance the skill level of its labor force. In the case of labor-intensive industries, the state encourages them to relocate their operations to the lesser-developed areas within the triangle.

The growth of the manufacturing sector in Penang has spillover effects on the transformation of economic structure of Kedah, Perak and Perlis. In Kedah, for example, foreign companies highly favors the industrial area of Kulim, because of its close proximity to Penang, and subsequently the port. The importance of manufacturing sector in the three states was further spurred by the IMT-GT cooperation. This progress can help the northern states of Malaysia to achieve growth and development in their industrialization program, with the potential for Penang to be the metropolitan growth pole for the triangle.

EVALUATION OF THE IMT-GT ACHIEVEMENT

Investment

Before the inception of the IMT-GT concept, that is between 1992-1993, only a total of 399 manufacturing projects or 25.6 percent of Malaysia's total approved projects were

approved for the four northern states with investments totaling RM 8, 853.2 million. In terms of foreign investments in approved projects during the same period, the amount that came from Indonesia and Thailand was RM 737.01 million, which constituted 3.1 percent of the overall foreign investments in Malaysia.

Comparatively, a significant degree of investments has been achieved by the four northern states after the establishment of the IMT-GT concept (see Table 1). For the period 1995-1999 (i.e. after the establishment of the IMT-GT concept), the four northern states attracted a total of RM 32.82 billion in proposed capital investment, which accounted for 26.4 per cent of the nation's total investment. In terms of number of projects approved, the northern states received a total of 1,006 projects that constituted 25.3 per cent of the nation's total approved projects. Employment created by these projects was 130,277 for the four states.

Table 1: Investments in Approved Manufacturing Projects in Malaysian Northern Region, 1995-1999

State	Project		Potential Employment		Domestic Investment		Foreign Investment		Total Proposed Capital Investment
	Number	%	Number	%	(RM million)	%	(RM million)	%	(RM million)
Perlis	19	0.5	2,055	0.5	1,377		507	0.8	1,884
Kedah	247	6.2	36,750	8.5	3,528	2.3	9,549	15.2	13,077
Penang	473	11.9	61,207	14.2	4,666		9,022	14.3	13,689
Perak	267	6.7	30,265	7.0	2,991	5.8	1,181	1.9	4,172
						7.6			
						4.9			
Northern Region of Malaysia	1,006	25.3	130,277	30.2	12,562	20.6	20,257	32.2	32,820
Malaysia	3,976	100	431,381	100	60,981	100	62,910	100	124,318

Source: MIDA Report, various issues.

During the same period, sources of foreign investments in approved projects constituted 61.7 percent of the total investments in the northern region involving foreign

investments of RM 20.26 billion. About 15.2 per cent of the total nation foreign investments were invested in Kedah state.

Table 2 indicates number of manufacturing projects that were granted approvals, employment and value of investments in the four northern states during the period 1992-1998. In terms of number of manufacturing projects approved and total employment, Penang was the highest. Nevertheless the state of Kedah had the largest total investments during the period 1993-1997. Overall, the northern region of Malaysia has the largest total investments with the amount of RM 10,723 in 1996 compared to different years. However in terms of employment, the year 1995 provides the highest number of employment with the total of 37,214.

Table 2: Approvals granted for Establishment of Manufacturing Projects by State (1992-1998)

		Penang	Perak	Kedah	Perlis	Northern Region of Malaysia	Malaysia
1992	Number	119	50	42	5	216	874
	Employment	14,295	4,844	4,879	526	24,544	106,041
	Investment (RM million)	1,096	4,393.8	226.2	21.2	5,737.2	27,775.1
1993	Number	87	44	45	7	183	686
	Employment	10,378	7,299	5,726	1,158	24,561	94,592
	Investment (RM million)	516.8	989.4	1,069.9	539.9	3,116.0	13,752.7
1994	Number	95	57	60	10	222	870
	Employment	15,203	5,648	11,805	1,500	34,156	136,487
	Investment (RM million)	934.5	424.5	5,151.2	1,246.6	7,756.8	22,951.3
1995	Number	89	66	59	7	221	898
	Employment	13,779	10,160	12,492	783	37,214	117,607
	Investment (RM million)	1,606.7	953.0	1,851.0	308.9	4,719.6	20,869.1
1996	Number	97	43	43	5	188	782
	Employment	11,993	3,697	7,583	529	23,802	91,891
	Investment (RM million)	3,185.4	795.1	5,290.1	1,452.4	10,723.0	34,257.6
1997	Number	90	51	59	4	204	759
	Employment	9,736	4,571	7,867	489	22,663	73,421

		Penang	Perak	Kedah	Perlis	Northern Region of Malaysia	Malaysia
	Investment (RM million)	1,449.1	625.7	4,649.7	102.5	6,827.0	25,820.6
1998	Number	104	52	44	3	203	844
	Employment	10,911	4,837	4,317	254	20,319	83,657
	Investment (RM million)	2,666.5	510.9	747.1	20.1	3,944.6	26,405.6

Source: MIDA Report, various issues

Foreign direct investment

Foreign direct investment (FDI) plays important role in Malaysia's program of industrialization. In 1997, the United States, Japan, Germany, Taiwan and Singapore were the five major sources of foreign investments in Malaysia. Although Indonesia and Thailand were not considered as the leading foreign investors, their contributions were quite significant. As at 31 December 1995, the investments in terms of paid-up capital and fixed assets of companies in production from Indonesia and Thailand contributed RM 127.9 million and RM 193.2 million, respectively. Table 3 gives details of total foreign investments of companies in production.

Table 3: Malaysia's Total FDI (Paid-up/Fixed Asset) of Companies in Production by Country as at 31 December 1995

Country	Paid up (RM)	Fixed asset (RM)
Indonesia	67,017,000	95,731,000
Thailand	60,875,000	97,452,000
Total FDI from I & T	127,892,000	193,183,000
Total FDI as a Whole	17,716,829,000	33,256,101,000

Source: MIDA

Furthermore, Table 4 shows that between 1995-1998, there were 33 applications from Indonesia to establish manufacturing projects with investments totaling RM 344.2 million. For Thailand, a total of 13 applications were received involving investments of RM 117.3 million.

In terms of foreign investments in approved projects, for the same period, a total of 29 projects were approved for Indonesia investors involving investments of RM 290 million. Foreign investments in approved projects from Thailand amounted to RM 16.03 million involving 11 projects.

Table 4: Sources of FDI in Applications Received (1992-1998)

		Indonesia	Thailand	Country total
1992	Number of Projects	9	3	
	Investment (RM)	1,189,681,979	1,174,074	11,487,452,960
1993	Number of Projects	5	5	
	Investment (RM)	145,829,900	16,143,000	7,710,946,761
1994	Number of Projects	3	2	
	Investment (RM)	26,145,000	4,900,000	11,855,909,186
1995	Number of Projects	11	6	
	Investment (RM)	83,743,938	44,487,327	13,256,423,288
1996	Number of Projects	10	3	
	Investment (RM)	92,218,752	70,000,000	17,621,212,111
1997	Number of Projects	3	-	
	Investment (RM)	118,070,000		14,382,901,492
1998	Number of Projects	9	4	
	Investment (RM)	50,120,288	2,823,966	12,651,206,810

Source: MIDA Report, various issues.

Table 5: Sources of FDI in Approved Projects (1992-1998)

		Indonesia	Thailand	Country total
1992	Number of Projects	4	3	
	Investment (RM)	480,188,047	1,526,402	17,772,135,237
	Employment	2,136	160	
1993	Number of Projects	4	5	
	Investment (RM)	245,111,600	10,186,494	6,287,180,219
	Employment	1,210	560	
1994	Number of Projects	-	6	
	Investment (RM)	-	11,660,000	11,339,088,085
	Employment	-	339	
1995	Number of Projects	11	5	
	Investment (RM)	87,955,000	11,750,854	9,143,585,380
	Employment	3,688	221	
1996	Number of Projects	8	2	
	Investment (RM)	47,041,416	2,400,000	17,056,464,732
	Employment	436	64	
1997	Number of Projects	2	-	

		Indonesia	Thailand	Country total
1998	Investment (RM)	100,000,000	-	11,472,918,596
	Employment	560	-	
	Number of Projects	8	4	
	Investment (RM)	55,308,088	1,877,449	13,082,763,887
	Employment	587	458	

Source: MIDA Report, various issues

Table 5 shows total foreign investments to Malaysia from Indonesia and Thailand that contributed 0.6 per cent for the period 1995-1998.

Focusing from the context of the gain of the IMT-GT concept, a further analysis revealed that in 1998, Indonesian investor has invested a total of 6.19 million in the Beverages and Tobacco industry in the state of Perak. Investment in this project has created a total of 103 potential employments.

Patterns of trade

Although Indonesia and Thailand are not Malaysia's primary trade partner, after 1994 the volume of intra-IMT trade has shown an increasing trend. The bulk of the commodities that are being traded are fresh fish, fresh vegetables, processed agricultural and mineral products, chemical products, manufactured goods and electrical machinery. Table 6 shows that between 1994-1996, Malaysia's trade with Thailand amounted to a total of US\$14,450.2 million. Total exports from Malaysia to Thailand increased significantly, which is by an average annual rate of 20.7 percent to US\$3,207.0 million in 1996. On the other hand, imports from Thailand to Malaysia for the period 1994-1996 totaled US\$9,482.7 million. Malaysia's trade with Indonesia also recorded a substantial increase, amounted to a total of US\$2,643 million in 1996. During the same period, total exports from Malaysia to Indonesia grew at an average rate of 30.7 percent, totaling US\$1,218.0 million in 1996. Total Imported goods from Indonesia to Malaysia were valued at US\$1,340.0 million in 1996.

Table 6 : Intra- IMT Trade, 1994-1996 (US\$ million)

From	To	Indonesia		Malaysia		Thailand	
		Imports	Exports	Imports	Exports	Imports	Exports
Indonesia							
1994				681.0	820.0	443.0	395.0
1995				1,073.0	1,110.0	892.0	611.0
1996				1,340.0	1,124.0	1,095.0	823.0
Malaysia							
1994		942.0	714.5			1,473.6	2,217.6
1995		1,221.0	976.0			2,050.0	2,901.0
1996		1,425.0	1,218.0			2,592.0	3,207.0
Thailand							
1994		452.0	441.0	2,641.0	1,672.0		
1995		672.4	811.0	3,235.7	1,554.8		
1996		939.0	864.0	3,606.0	2,014.0		

Source: IMF Direction of Trade Statistics, 1998

In terms of Malaysian ringgit, total trade with Indonesia and Thailand economies for the period 1995-1997 amounted to RM 63, 317 million (see Table 7). In 1996, exports from Malaysia to Thailand registered a high growth of 11.2 percent to RM 8,069.2 million from RM 7,257.8 million in 1995. While imports grew by 27.1 percent to RM 6,521.7 million, there was trade surplus of RM 1,547.5. However, in 1997, exports to Thailand recorded negative growth of 1.7 percent while imports recorded high growth of 33.1 percent. As a result, Malaysia experienced a trade deficit of RM 752.3 million. Major items exported to Thailand were machinery and transport equipments, mineral fuels and crude materials.

Exports from Malaysia to Indonesia registered a high growth of 25.6 per cent in 1996 totaling RM 3,065.3, while import grew at an annual growth of 17.2 per cent totaling RM 3,584.2. For this year, Malaysia's registered a trade deficit of RM 518.9 million. For

the year 1997, Malaysia again experienced a trade deficit of RM 651.9 million. The bulks of export to Indonesia were transport equipment and manufactured goods.

Table 7: Trade With Indonesia and Thailand, 1995-1997

Country	1995		1996			1997		
	Value Change (RM % million)	Share %	Value Change (RM million)	%	Share %	Value Change (RM million)	%	Share %
Indonesia	2,441.2	4.8	3,065.3	5.5	25.6	3,462.1	5.6	
Thailand	7,257.8	14.4	8,069.2	14.4	11.2	12.9		
						7,930.2	12.8	-1.7
Total Exports (ASEAN)	50,391.5	100.0	55,976.3	100.0	9.8	61,776.4	100.0	10.4
Indonesia	3,057.3	9.1	3,584.2	9.2		4,114.0	9.1	
Thailand	5,131.5	15.2	17.2			14.8		
			6,521.7	16.7		8,682.5	19.2	33.1
			27.1					
Total Imports (ASEAN)	33,748.1	100.0	38,952.2	100.0	15.1	45,114.6	100.0	15.8

Source: Department of Statistics, Malaysia

CONCLUSION AND SUGGESTIONS

The IMT-GT concept that has been in progress for a few years has shown some indication of success. Although there are some problems faced by private sectors in project implementation, the prospect for their future involvement is tremendous based on the current trend of investment and trade. Thus, to ensure continuing success, the concept needs active involvement and commitment of private sector to develop many potentials available in the three sub-regions. It is the only way that the role of private companies can be important to achieve the goals of accelerating sub-regional economic cooperation in the Association of Southeast Asian Nations (ASEAN) and increasing social welfare in the prospective region.

since economic complementarity is the key feature of the growth area, this study generally suggests that the three governments through their related bodies and agencies should put greater efforts cooperatively in overcoming problems and removing obstacles that exist. At the same time, new ideas have to be sought to improve and strengthen the available policies so that the triangle can be developed more effectively. Specifically, problem of human factor has to be tackled; environment of trade, business and tourism activities should be really conducive and is not without well provision of infrastructure; activities of resource-based industries should be enhanced; and the improvement of collection of regional data cannot be left behind.

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